

Message Text

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64

ACTION EA-14

INFO OCT-01 EUR-25 NEA-10 ADP-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10

SS-14 STR-08 CEA-02 L-03 H-02 PA-03 PRS-01 USIA-12

INT-08 GAC-01 AGR-20 SCEM-05 RSR-01 /213 W

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R 23:759 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2561

INFO AMEMBASSY JIDDA

AMD BASSY KUWAIT 68

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

USMISSION OECD PARIS

C O N F I D E N T I A L TOKYO 3456

E. O. 11652: GDS

TAGS: ENRG, JA, SA, KU

SUBJ: ARABIAN OIL COMPANY AND PARTICIPATION OF SAUDI

ARABIA AND KUWAIT

REF: TOKYO 2588

SUMMARY: ARABIAN OIL COMPANY (AOC) VICE PRESIDENT
RECENTLY VISITED SAUDI ARABIA AND KUWAIT IN ATTEMPT
DETERMINE THESE INTENTIONS RE PARTICIPATION IN AOC.
BECAUSE LITTLE INFO FORTHCOMING, HE WILL RETURN TO
MIDDLE EAST LATER THIS SPRING, AOC CONCERNED ABOUT
POSSIBLE REDUCTION IN QUANTITY OF MARKETABLE CRUDE AND
IS ATTEMPTING SECURE PARTICIPATION CRUDE TO CONTINUE TO
SUPPLY ITS MARKET IN JAPAN. ALSO CONCERNED THAT
SAUDI PARTICIPATION DEMANDS MIGHT BE " EXORBITANT." END
SUMMARY.

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1. TOEQIYUKI MIYAUCHI, VICE PRESIDENT, ARABI, OIL
COMPANY (AOC), RECENTLY VISITED SAUDI ARABIA AND

KUWAIT TO DISCUSS THOSE COUNTRIES' DESIRES RE PARTICIPATION IN AOC. SOICHI TSUGE, COORDINATOR, PRESIDENT'S OFFICE, AND, UNTIL 1972, HEAD OF AOC OFFICE IN SAUDI ARABIA, ACCOMPANIED MIYAUCHI.

2. ACCORDING TSUGE, LITTLE INFO WAS OBTAINED RE KUWAITI AND SAUDI PLANS INCREASE PARTICIPATION IN AOC. AOC REPS WILL RETURN TO KUWAIT IN APRIL FOR

PRELIMINARY BILATERAL DISCUSSIONS. SAUDIS NOT PREPARED DISCUSS MATTER UNTIL FINAL PARTICIPATION ARRANGEMENTS COMPLETED WITH MAJORS (PROBABLY BY THIS SUMMER). AOC REPS WILL RETURN TO SAUDI ARABIA IN MAY IN FURTHER ATTEMPT DETERMINE SAUDI THINKING.

3. SAUDI AND KUWAITI GOVERNMENTS EACH OWN 10 PER CENT OF AOC. TSUGE BELIEVES THEY WILL SEEK ADDITIONAL 25 PER CENT SHARE MARKET TO COMBINED TOTAL OF 45 PER CENT) AS A STARTER. THUS, AOC WOULD EXPECT IN MEDIUM TERM

ROSE ABOUT HALF ITS PRESENT SHARE OF MARKETABLE CRUDE. UNDER SUCH CIRCUMSTANCES, AOC WOULD ATTEMPT PURCHASE KUWAITI AND, MORE IMPORTANTLY, SAUDI PARTICIPATION CRUDE TO MAINTAIN SUPPLIES TO ITS MARKETS IN JAPAN.

HOWEVER, TSUGE VIEWS JAPANESE POSITION RE PURCHASE SAUDI PARTICIPATION CRUDE AS QTE VERY WEAK UNQTE. ONE REASON IS NUMBER OF BARRIERS TO SAUDI INVESTMENT IN JAPAN, ESPECIALLY IN DOWNSTREAM ACTIVITIES. (HE WAS NOT SANGUINE ABOUT POSSIBILITY OF A CHANGE IN JAPANESE RESTRICTIONS, ALTHOUGH AOC PRESENTLY INVESTIGATING POSSIBILITIES OF SAUDI INVESTMENT HERE.) SECOND REASON

HE SAID, IS SAUDI MISTRUST OF JAPANESE AS RESULT OF BROKEN PROMISES OF FIRST NAKAYAMA ECONOMIC MISSION TO MIDDLE EAST IN EARLY 1971, WHEN, AFTER MISSION PROMISED LARGE-SCALE ECONOMIC AND TECHNICAL ASSISTANCE TO

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SAUDI ARABIA, GOJ FAILED TO CONCLUDE AN AGREEMENT. (NOTE: SECOND NAKAYAMA MISSION, PLANNED FOR MARCH 1973, WAS CANCELLED AS REPORTED REFTEL.)

5. IN MORE GENERAL SENSE, TSUGE EXPRESSED CONCERN THAT BECAUSE AOC REPRESENTS A RELATIVELY INSIGNIFICANT

PORTION OF SAUDI CRUDE PRODUCTION, YVANI MIGHT MAKE EXORBITANT PARTICIPATION DEMANDS AS AN EXAMPLE TO MAJORS AND IN ATTEMPT TO ASSUAGE MORE RADICAL ELEMENTS IN OPEC.

6. DESPITE DIFFICULTIES ENVISAGED WITH SAUDIS, TSUGE
BELIEVES THAT AMONG JAPANESE GROUPS SEEKING SAUDI
PARTICIPATION POUDE, AOC HAS BEST CHANCE OF SUCCESS
BECAUSE OF ITS 15 YEAR RELATIONSHIP WITH SAUDIS.
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